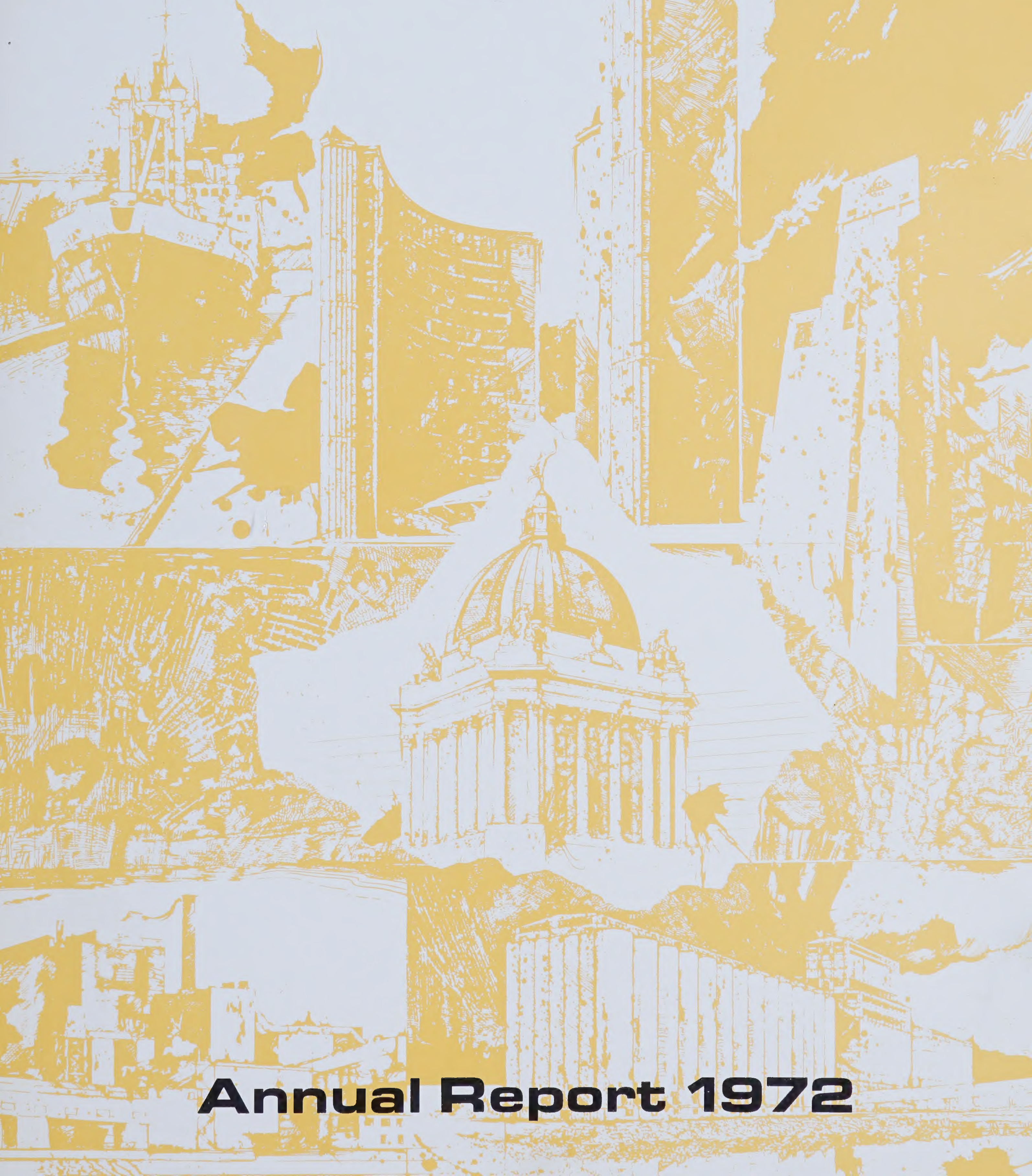
transair

SERVING THE PEOPLE OF CENTRAL CANADA

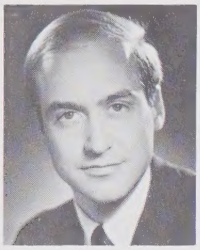


Annual Report 1972

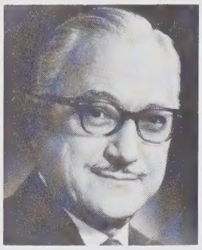
transair Limited ■ Annual Report 1972

Arthur V. Mauro, Q.C.

James S. McBride

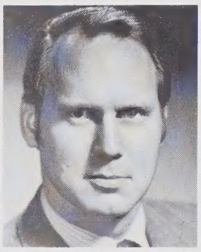


Peter A. Allen



Sol Kanee

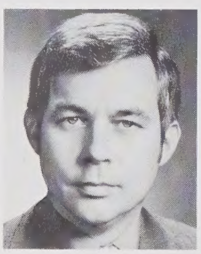
Roderick H. McIsaac



Donald C. Webster

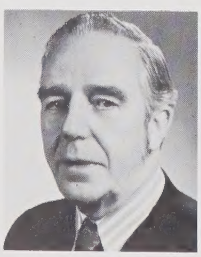
Donald J. Wilkins

Daniel R. McDougall



Roy A. Morrison

Horst F. Pacher, C.A.



Fred C. McKay

Directors

PETER A. ALLEN*

SOL KANEE*

ARTHUR V. MAURO, Q.C.*

JAMES S. McBRIDE*

RODERICK H. McISAAC

DONALD C. WEBSTER**

DONALD J. WILKINS

**Member of the Executive Committee*

***Replacing John C. L. Allen who served as a Director from September, 1969, to November, 1972.*

Officers

JAMES S. McBRIDE
Chairman of the Board

ARTHUR V. MAURO, Q.C.
President and Chief Executive Officer

DANIEL R. McDOUGALL
Vice-President - Operations

ROY A. MORRISON
Vice-President - Sales and Marketing

HORST F. PACHER, C.A.
Vice-President - Finance and Administration

FRED C. McKAY
Secretary

Head Office:
Winnipeg International Airport
Winnipeg, Manitoba R3J 0H7
Telephone (204) 888-0450

Shares Listed:
Toronto Stock Exchange
Winnipeg Stock Exchange

Transfer Agent and Registrar:
The Royal Trust Company, Winnipeg, Manitoba, and Toronto, Ontario

Auditors:
Deloitte, Haskins & Sells, Winnipeg, Manitoba

Bankers:
Toronto-Dominion Bank, Winnipeg, Manitoba

Fokker F.28 — The first in scheduled service in North America and soon to be joined by a second.
Its low noise and smoke characteristics make it an environmental good neighbour.

President's Report

TO THE SHAREHOLDERS

The upward trend in revenues and earnings continued in 1972 with record levels in both categories.

FINANCIAL

Our 1972 operating revenue of $17,449,000 represents an increase of $1,100,000 over 1971. The growth in revenues was particularly noticeable in charter services, where total revenue increased $600,000 (19%) over the preceding year. The reduction in total scheduled passengers was due entirely to the withdrawal from non-compensatory services.

Revenues were negatively affected by the Air Controllers' strike in January and the Electronic Technicians' slowdown in February which caused an estimated revenue loss of $500,000. A further factor was the adverse weather conditions in Ontario during December. Not only were revenues lost due to cancelled flights but additional costs resulted from interrupted trip expenses. In addition, due to the resurfacing of the Thompson runway, we had to withdraw jet service to this community during the summer travel season.

While revenues increased by $1,100,000 (7%), the increase in Operating Expenses was held to $314,000 (2%), resulting in an Operating Profit of $1,093,000, an increase of $792,000 over the preceding year. This improvement reflects boths the higher productivity of pure jet and turbo-prop equipment and the savings resulting from discontinuance of non-compensatory services.

While the equipment disposal program has a current negative impact, long-term benefits are created in reduced maintenance costs, depreciation and interest charges.

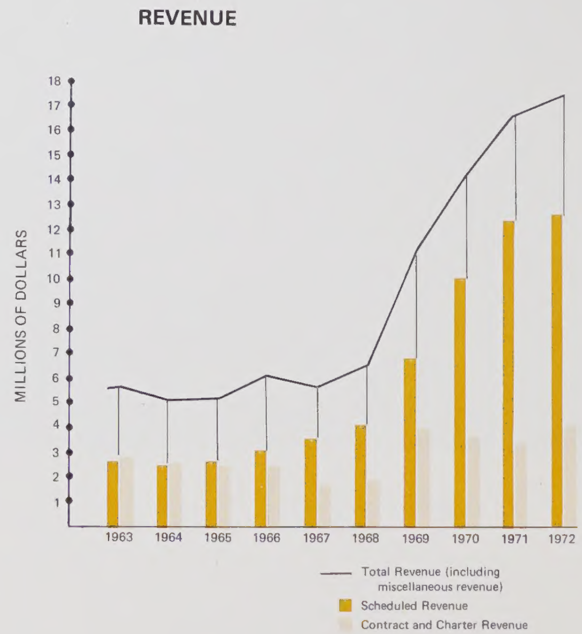
Net income totalled $1,011,000 or 32.8 cents per share on 3,081,000 shares outstanding. In 1971, Net Income was $505,000 or 19.7 cents per share on 2,567,000 shares outstanding (weighted average).

The Working Capital deficiency has been reduced by $263,000 to $1,441,000 while the funds provided from operations increased to $2,299,000, an increase of $632,000 from the preceding year.

For the first time since 1968, your Company is in a surplus position. The surplus at year end was $496,000 as compared to a deficit of $501,000 at December 31,1971.

OPERATIONS

While there was a slight decline in total passengers carried, revenue



passenger miles increased by 14,000,000 (10%). The passenger load factor increased from 47.4% to 49.5% and total load factor from 37.7% to 38.5%. These latter statistics reflect the restrictions on equipment utilization resulting from inadequate airstrip facilities and navigational aids at a number of points on our route system.

After a review of our regional requirements, we concluded that an aircraft with the range, capacity and operating characteristics of the F-28 best suited our immediate requirements. This aircraft can operate from gravel runways, 4,000 feet in length, thus permitting introduction of jet service into remote points otherwise inaccessible to available equipment. The capacity of the aircraft also provides the flexibility to improve frequency of services where traffic warrants.

The first aircraft went into service in October and the second will be delivered in April. We will utilize the F-28 in the introduction of jet service from Winnipeg to Yellowknife via Churchill commencing in June.

STATION ACTIVITIES

We concluded that your Company had reached the point where we should undertake direct handling of our reservations and ground services at Toronto and Thunder Bay. In the case of Toronto, this was particularly important since the charter market is playing a larger role in overall corporate operations.

The operation of our own facilities and service in Toronto began on November 1st and in Thunder Bay on December 1st.

EXPANDED SERVICES

Effective December 1st, YS-11 turbo-prop service was introduced to Norway House, one of the growing communities in northern Manitoba. We have combined this service with Twin Otter feeder services to other inland points. As facilities improve, it is our intention to expand this level of service. Our operation to this area has been greatly assisted by the Provincial Government programme which has resulted in improved facilities, including terminal and storage areas.

Freight storage facilities in Winnipeg have been improved to permit expanded use of the Argosy fleet in the movement of general cargo to various points previously served by winter roads.

In November, our Resolute Bay facility became operational as the base for Argosy charter services in the High Arctic. The facility will also service future helicopter operations out of this important northern point.

There is an increasing demand for turbine helicopter services and we have this past year added two Bell 206A's to our rotary wing fleet. Utilization of this equipment was well above forecasts and we are in a favourable position to participate in the expanding field of exploration and support activities in the central and northern regions.

YS-11 — A pair of these turbo-props complement Transair's jet fleet in passenger and cargo service to important northern communities.

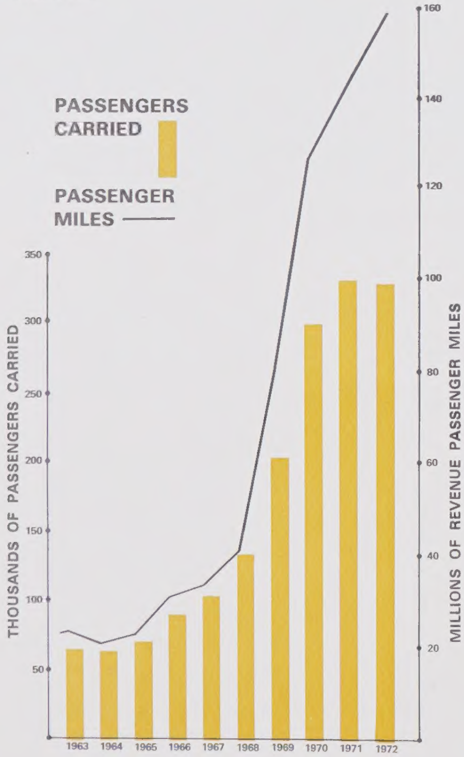
GENERAL

Your Company has applied to provide unit toll service to Resolute Bay via Winnipeg and Churchill. Hearings were held in December and we are awaiting a decision.

We have placed before the Canadian Negotiating Committee on Bilateral Agreements with the United States our request for access from our region to specified points in the United States. These negotiations are continuing.

New agreements have been signed with the Canadian Air Line Pilots Association and the Canadian Airline Flight Attendants Association. We are presently in negotiations with representatives of the maintenance and traffic employees.

The fact that 1972 was the most successful year in corporate history is due in large part to the efforts of our employees. We frequently hear that the ultimate strength of a company is its human resources. In the case of Transair, this is particularly true. While there is a tendency to receive widespread publicity concerning shortcomings in service, we hear less often of the achievements.



Chairmen of the five union bargaining units representing Transair's air and ground crews. Standing from left to right, Ken Mills (Dispatchers - C.A.L.D.A.), Mike Favel (Agents - I.A. of M. & A.W.), seated, Captain Ron Ellis (Pilots - C.A.L.P.A.), Donna Law (Flight Attendants - C.A.L.F.A.A.), and Ross Taylor (Machinists - I.A. of M. & A.W.).

The employees and Transair can be proud of the role we continue to play in the provision of first class service to the points served in our region. Our record stands comparison with any other Canadian carrier. I want to extend to the employees our sincere gratitude for their co-operation and contribution.

Respectfully submitted,

Arthur V. Mauro

ARTHUR V. MAURO
President and Chief Executive Officer.

transair Limited

And Wholly-Owned Subsidiary Companies

Consolidated Statement of Income

FOR THE YEAR ENDED DECEMBER 31, 1972

(With 1971 Figures for Comparison. In Thousands of Dollars)

	1972	%	1971	%
REVENUE	$ 17,449	100.0	$ 16,343	100.0
EXPENSES:				
General operating and administrative expenses	14,635	83.9	14,101	86.3
Depreciation and amortization (Note 2)	1,221	7.1	1,366	8.4
Interest—long-term debt	367	2.1	393	2.4
—other	133	.7	182	1.1
	16,356	93.8	16,042	98.2
OPERATING INCOME	1,093	6.2	301	1.8
GAIN (LOSS) ON DISPOSAL OF PROPERTY AND EQUIPMENT	(283)	(1.6)	110	.7
INCOME BEFORE INCOME TAXES AND EXTRAORDINARY ITEMS	810	4.6	411	2.5
DEFERRED INCOME TAXES (Note 7)	388	2.2	165	1.0
INCOME BEFORE EXTRAORDINARY ITEMS	422	2.4	246	1.5
EXTRAORDINARY ITEMS				
Foreign exchange credits (Note 6)	51	.3	259	1.6
Income tax reduction arising from application of prior years' loss carry-forwards (Note 7)	538	3.1	—	—
	589	3.4	259	1.6
NET INCOME FOR THE YEAR	$ 1,011	5.8	$ 505	3.1

Consolidated Statement of Retained Earnings

FOR THE YEAR ENDED DECEMBER 31, 1972

(With 1971 Figures for Comparison. In Thousands of Dollars)

	1972	1971
(DEFICIT) AT BEGINNING OF THE YEAR	$ (501)	$ (978)
Net Income for the year	1,011	505
Dividends paid on 70¢ preference shares	(14)	(28)
RETAINED EARNINGS (DEFICIT) AT END OF THE YEAR	$ 496	$ (501)

The accompanying notes are an integral part of the financial statements.

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And Wholly-Owned

Consolidated

AS AT DEC

(With 1971 Figures for Comp

ASSETS	1972	1971
CURRENT ASSETS:		
Cash	$ 106	$ 41
Accounts receivable—trade	2,531	1,998
Inventories of parts, supplies, gasoline & oil—at cost	1,509	976
Mortgage receivable due within one year	156	—
Prepaid expenses	325	180
Total current assets	4,627	3,195
MORTGAGE RECEIVABLE—less current portion included above	544	—
PROPERTY AND EQUIPMENT (Note 2):		
Aircraft and flight equipment	14,032	17,173
Land, buildings and ground equipment	2,266	2,011
	16,298	19,184
Less accumulated depreciation	4,635	5,856
Net property and equipment	11,663	13,328
DEVELOPMENTAL AND FLEET PRE-OPERATING COSTS (Note 3)	877	573
DEFERRED LEASE PAYMENTS (Note 5)	677	547
TOTAL	$18,388	$17,643

The accompanying notes are an i

ir Limited

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BER 31, 1972.

son. In Thousands of Dollars)

LIABILITIES AND SHAREHOLDERS' EQUITY

	1972	1971
CURRENT LIABILITIES:		
Bank loans (Note 4)	**$ 1,586**	$ 1,286
Accounts payable and accrued liabilities	**3,299**	2,394
Long-term debt due within one year	**1,183**	1,219
Total current liabilities	**6,068**	4,899
LONG-TERM DEBT, less current portion included above (Note 6)	**4,405**	5,693
DEFERRED INCOME TAXES (Note 7)	**950**	1,083
SHAREHOLDERS' EQUITY (Notes 1 and 8):		
Capital stock:		
Preference shares	**200**	200
Common shares	**6,269**	6,269
	6,469	6,469
Retained earnings (deficit)	**496**	(501)
Total shareholders' equity	**6,965**	5,968
TOTAL	**$18,388**	$17,643

Approved by the Board: A. V. MAURO, Director
S. KANEE, Director

ral part of the financial statements.

Boeing 737 — Carrying 115 passengers in speed and comfort
to Manitoba, Ontario, the Arctic, Mexico and the Caribbean.
Transair's 737's are also quick change artists when it comes to cargo.

transair Limited
And Wholly-Owned Subsidiary Companies

Consolidated Statement of Source and Application of Funds

FOR THE YEAR ENDED DECEMBER 31, 1972

(With 1971 Figures for Comparison. In Thousands of Dollars)

	1972	1971
FUNDS PROVIDED:		
Net income excluding charges not affecting working capital	**$2,299**	$1,667
Issue of common shares (Note 8)	—	2,568
Sale of equipment	**1,477**	448
Total Funds Provided	**3,776**	4,683
FUNDS APPLIED:		
Capital expenditures	**1,754**	575
Repayment of long-term debt	**1,221**	1,208
Developmental and fleet pre-operating costs	**394**	121
Deferred lease payments	**130**	415
Dividends on preference shares	**14**	28
Total Funds Applied	**3,513**	2,347
IMPROVEMENT IN WORKING CAPITAL	**263**	2,336
Working Capital Deficiency at beginning of the year	**1,704**	4,040
Working Capital Deficiency at end of the year	**$ 1,441**	$ 1,704

The accompanying notes are an integral part of the financial statements.

Twin Otter — Transair's four Otters serve communities with limited airport facilities where reliable air taxi and freight service is essential.

Argosy — Transair's cargo workhorses specialize in service to the High Arctic. They haul bulk fuel, vehicles, telephone poles, space research rockets and just plain freight.

Notes to the Consolidated Financial Statements

DECEMBER 31, 1972

1. BASIS OF STATEMENT PRESENTATION

The accounts of the company have been consolidated with those of its wholly-owned subsidiaries Midwest Airlines Ltd., which was acquired in 1969, and Arctic Wings Limited and Aircraft Services (Western) Limited, both of which are inactive. The acquisition of Midwest Airlines Ltd. has been treated for accounting purposes on a "pooling of interests" basis, and the issue of 739,000 common shares with an assigned value of $3,695,000 for the acquisition resulted in the company's consolidated capital stock account being increased by $13,000, equivalent to the paid-in capital of the subsidiary, and retained earnings being increased by $2,058,964, equivalent to the retained earnings of the subsidiary on May 2, 1969.

2. PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation of aircraft and flight equipment is provided on a straight-line basis at rates which are sufficient to reduce their book value to estimated residual values at the expiration of their estimated useful lives. As a result of changes in the estimated useful life of aircraft and flight equipment, a reduction of depreciation charged in 1972 had the effect of increasing income after deferred income taxes by $149,000. The cost of airframe and engine overhauls on major aircraft is capitalized, and amortized on the basis of hours flown.

3. DEVELOPMENTAL AND FLEET PRE-OPERATING COSTS

The amount of $877,000 represents the costs related to new aircraft prior to going into revenue service less amortization to date. Costs have been amortized in 1972 over eight years compared with periods of five to eight years in 1971. These changes have not had a material effect on income in 1972.

4. BANK LOANS

Bank loans are secured by assignments of book debts and, as collateral security for future expansion, a $5,000,000 demand debenture secured by a floating charge on all unencumbered assets with further provisions that there be no redemption of preference shares or payment of dividends on the common shares without consent of the bank.

5. LEASES

The company has leased two Boeing 737 aircraft including spare engines and certain parts for a period of 140 months through April 1981. Under the leases, the company is responsible for all operating costs of the aircraft including maintenance and insurance. In the last year of the leases, the company has the option to purchase the aircraft for $585,000 each, including the spare engines and certain parts.

In 1972, the company acquired two Fokker F-28 jet aircraft. The first airplane was delivered in September 1972; the second is scheduled for delivery in April 1973. The agreement contains an option to purchase both aircraft exercisable on or before March 1974.

Lease payments on the Boeing and Fokker aircraft are charged to expense at the rate of $1,806,000 and $415,000 per annum, respectively, being the average of payments throughout the term of each lease. Lease payments made in excess of the amounts charged to expense are shown on the balance sheet as deferred lease payments. This account will be reduced by charges to operations in the latter years of the leases when payments will be lower than the average annual rate.

Lease payments for the next five years will be as follows:

1973	$2,296,000	1976	$1,860,000
1974	$1,985,000	1977	$1,860,000
1975	$1,860,000		

6. LONG-TERM DEBT

6½% note payable in United States currency secured by two YS-11A aircraft, parts and equipment, repayable monthly to August 1978		$3,412,000
6.47% to 7.65% notes payable in pounds sterling secured by one Hawker-Siddeley 748 aircraft, repayable semi-annually to October 1976		$ 699,000
7.64% notes payable in pounds sterling, secured by four Argosy aircraft, parts and equipment, repayable semi-annually to July 1975		$1,477,000
		$5,588,000
Less amount due within one year included in current liabilities		$1,183,000
Balance due		
—1974	$1,127,000	
—1975	$ 936,000	
—1976	$ 666,000	
—1977	$ 509,000	
—subsequent to 1977	$1,167,000	$4,405,000

In 1971 the company adopted the policy of translating amounts owing in foreign currencies at rates fixed through forward exchange contracts providing for estimated maximum costs of renewing those contracts to the maturity of the debts. As a result of the adoption of this policy and reflecting the increase in the relative value of the Canadian dollar since the foreign debts were incurred, net income for the year has been increased by $51,000 net of income taxes (1971 — $259,000), shown as an extraordinary item.

7. DEFERRED INCOME TAXES

As a result of applying prior years' losses against current taxable income, no income taxes are payable for 1972. The extraordinary item in 1972 income of $538,000 represents the income tax benefit arising from the application of these losses. At December 31, 1972 Transair Limited has available unclaimed capital cost allowances in excess of future depreciation charges which, if they can be applied against subsequent taxable income, would reduce future income taxes by approximately $655,000. Deferred income taxes of $950,000 shown on the balance sheet at December 31, 1972, have arisen in Midwest Airlines Ltd. as a result of claiming capital cost allowances in excess of recorded depreciation.

8. CAPITAL STOCK

The authorized capital stock consists of 20,000 preference shares of par value of $10.00 each, redeemable at $13.50 per share (including postponed dividends of $3.00 per share as at May 15, 1963) and entitled to a cumulative dividend of 70¢ per share per annum after that date; and 5,000,000 common shares of no par value.

The 20,000 preference shares are all issued and fully paid and all dividends since May 15, 1963 have been paid; 3,080,806 (unchanged from 1971) common shares are now issued and fully paid.

During 1971, the company made a rights offering to its common shareholders, giving them the right to purchase for $2.50, one unit for each two common shares presently held, a unit consisting of one common share and one-half warrant. The offering resulted in the issue of 1,026,935 common shares for cash consideration of $2,567,738 and warrants entitling the holders to purchase a further 513,468 common shares for $4.00 per share on or before June 15, 1976. As at December 31, 1972, all warrants are still outstanding.

At December 31, 1972, 465,000 common shares were set aside for options. At that date, options were outstanding for the purchase of 453,600 shares including 400,000 shares at $5.00 per share expiring May 31, 1976 and other options on 53,600 shares at prices ranging from $3.24 to $6.25 per share, expiring at various dates to October 1976. Included are options of 40,000 shares to officers of the company.

9. EARNINGS PER SHARE

	1972	1971
Basic earnings per issued common share (see (a) below):		
Before extraordinary items	13.7¢	9.6¢
After extraordinary items	32.8¢	19.7¢
Fully diluted earnings per share (see (b) below):		
Before extraordinary items	14.5¢	11.3¢
After extraordinary items	29.1¢	18.6¢

(a) Based on the weighted average number of shares outstanding during the year.

(b) In the above summary, the fully diluted figures reflect the income per share that would have existed if all the stock options granted had been exercised and all the warrants had been converted into common stock.

For the purpose of calculating fully diluted earnings per share, earnings after tax of $166,000 ($154,000 in 1971) have been imputed at a rate of interest based on the current cost of the company's bank borrowings.

10. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Expenses include remuneration of $192,000 paid to seven officers, two of whom were directors. Fees of $8,000 were paid to seven directors.

Auditors' Report

TO THE SHAREHOLDERS OF TRANSAIR LIMITED

We have examined the consolidated balance sheet of Transair Limited and wholly-owned subsidiary companies as at December 31, 1972 and the consolidated statements of income, retained earnings, and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

DELOITTE, HASKINS & SELLS,
Chartered Accountants

Winnipeg, Manitoba
March 29, 1973

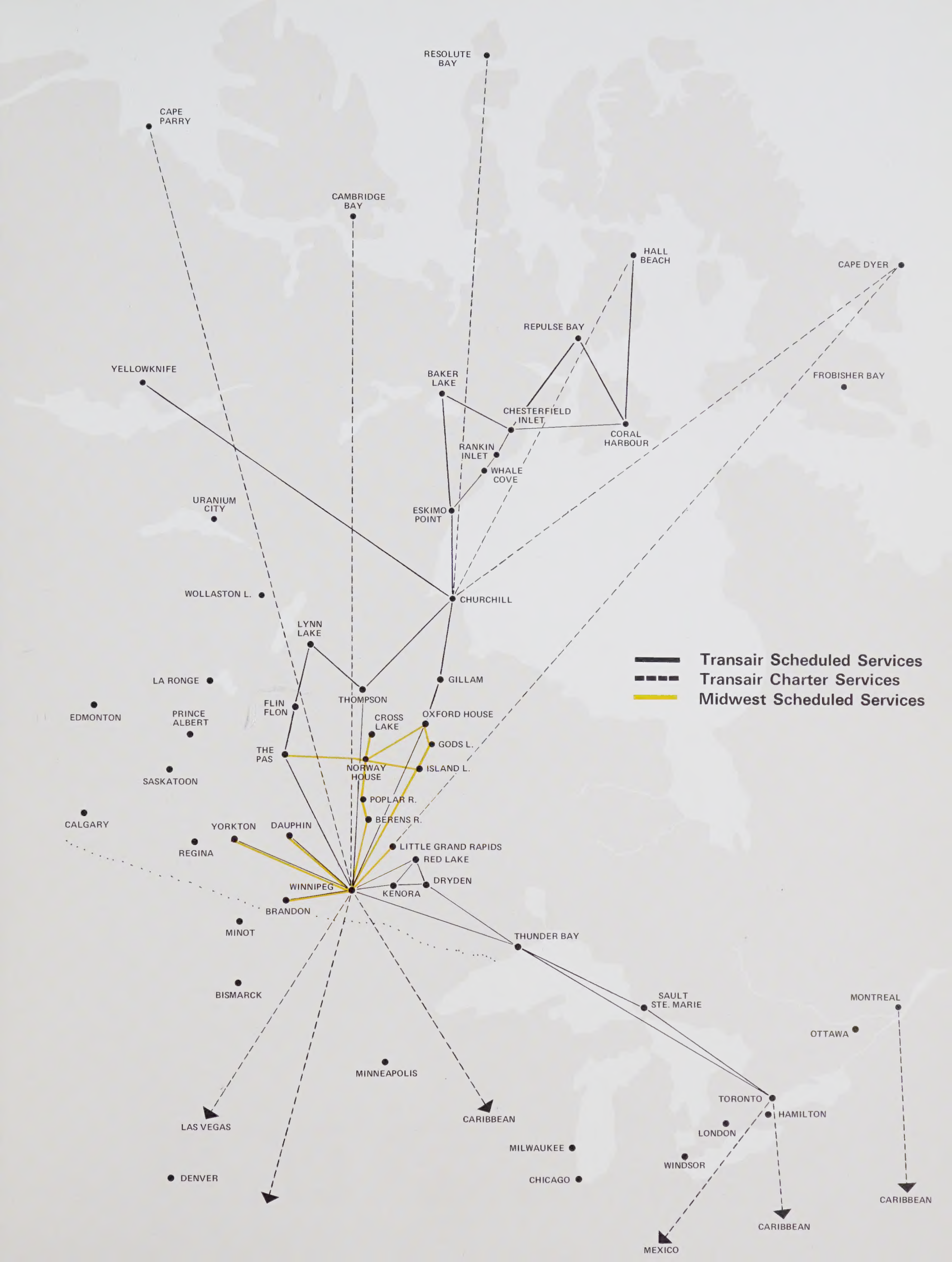
transair Limited

Ten Years With Transair

	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963
Scheduled Revenue ($000)	12,828	12,530	10,113	6,835	4,206	3,612	3,128	2,592	2,426	2,635
Contract and Charter Revenue ($000)	4,008	3,379	3,692	4,087	1,899	1,718	2,512	2,379	2,548	2,981
Other Revenue ($000)	613	434	219	107	258	410	371	89	68	30
Total Revenue ($000)	17,449	16,343	14,024	11,029	6,363	5,740	6,011	5,060	5,042	5,646
Income (Loss) before Income Tax and Extraordinary Items										
Amount ($000)	810	411	(106)	(1,412)	(762)	(185)	(256)	192	171	312
Percent of Total Revenue	4.6	2.5	(.8)	(12.8)	(12.0)	(3.2)	(4.3)	3.8	3.4	5.5
Net Income (Loss)										
Amount ($000)	1,011	505	(39)	(2,059)	(872)	(185)	(256)	233	180	197
Percent of Total Revenue	5.8	3.1	(.3)	(18.7)	(13.7)	(3.2)	(4.3)	4.6	3.6	3.5
Percent of Common Shareholders Equity	14.5	8.8	(1.4)	(80.8)	(80.0)	(9.8)	(14.6)	15.6	21.5	31.7
Funds Provided from Operations ($000)	2,299	1,667	1,535	444	197	451	539	841	1,015	1,216
Retained Earnings (Deficit) ($000)	496	(501)	(978)	(939)	77	877	847	654	435	269
Common Shareholders Equity ($000)	6,765	5,768	2,723	2,547	1,090	1,894	1,751	1,494	837	622
Common Shares Outstanding End of Year (000)	3,081	3,081	2,054	2,011	781	781	746	726	435	405
Earnings per Common Share (¢)	32.8	19.7	(1.9)	(102.4)	(111.7)	(24.2)	(34.8)	40.2	42.9	49.1
Book Value per Share ($)	2.26	1.87	1.33	1.27	1.40	2.43	2.34	2.06	1.92	1.54
Gross Additions to Fixed Assets ($000)	1,754	575	5,172	3,870	571	46	185	1,047	113	69
Net Book Value of Fixed Assets ($000)	11,663	13,328	14,350	11,028	9,649	2,022	2,164	1,954	1,368	1,523
Long-Term Debt Outstanding—Current and Non-Current ($000)	5,588	6,912	8,514	6,559	4,681	17	85	410	959	1,265
Working Capital Deficiency ($000)	(1,441)	(1,704)	(4,040)	(1,811)	(750)	66	(208)	(219)	367	304
Passengers Carried (000)	328	337	301	206	134	104	90	69	62	67
Revenue Passenger Miles (000)	159,004	145,042	125,809	78,118	40,834	33,694	29,049	22,276	20,031	22,813
Passenger Load Factor %	49.5	47.4	45.0	48.7	46.9	43.3	35.8	35.6	42.0	42.0
Total Load Factor %	38.5	37.7	40.9	43.8	46.0	39.9	33.4	46.0	45.2	41.4
Number of Employees	514	485	504	468	390	345	356	311	312	345

NOTE: The results of Midwest Airlines Ltd. are included effective May 2, 1969.

Bell 205 — Fastest whirlybird in the helicopter fleet. Moves cargo and passengers in remote areas at speeds up to 140 m.p.h. Just one of the eleven helicopters operated by Transair's subsidiary company, Midwest.



RESOLUTE BAY
CAPE PARRY
CAMBRIDGE BAY
HALL BEACH
CAPE DYER
REPULSE BAY
YELLOWKNIFE
BAKER LAKE
FROBISHER BAY
CHESTERFIELD INLET
CORAL HARBOUR
RANKIN INLET
WHALE COVE
URANIUM CITY
ESKIMO POINT
WOLLASTON L.
CHURCHILL
LYNN LAKE
Transair Scheduled Services
Transair Charter Services
Midwest Scheduled Services
LA RONGE
GILLAM
EDMONTON
PRINCE ALBERT
FLIN FLON
THOMPSON
CROSS LAKE
OXFORD HOUSE
GODS L.
THE PAS
NORWAY HOUSE
ISLAND L.
SASKATOON
POPLAR R.
BERENS R.
CALGARY
YORKTON
DAUPHIN
LITTLE GRAND RAPIDS
REGINA
RED LAKE
WINNIPEG
KENORA
DRYDEN
BRANDON
MINOT
THUNDER BAY
BISMARCK
SAULT STE. MARIE
MONTREAL
OTTAWA
MINNEAPOLIS
TORONTO
HAMILTON
LAS VEGAS
CARIBBEAN
LONDON
MILWAUKEE
WINDSOR
DENVER
CHICAGO
CARIBBEAN
CARIBBEAN
MEXICO

AR08

transair Limited

INTERIM REPORT

For the Six Months Ended June 30, 1972

August 21, 1972

TO THE SHAREHOLDERS OF
TRANSAIR LIMITED

Enclosed are comparative statements for the period ending June 30, 1972. Earnings have increased from $92,000 in 1971 to $284,000 in 1972. The 1971 figure has been restated to reflect deferred income taxes chargeable to that period. Earnings per share on a fully diluted basis have increased from 5.6 cents in 1971 to 9 cents in the current period on a larger number of shares outstanding.

Operating profit has improved from $103,000 to $368,000 in the current period. The working capital deficiency has been reduced from $1,704,000 at December 31, 1971 to $1,500,000 at June 30, 1972. As at the end of July, the corporate deficit which amounted to $500,000 as at December 31, 1971, was eliminated and your company is in a surplus position for the first time since 1969.

Application has been made to provide scheduled service to Resolute Bay via Winnipeg and Churchill. This will complement an expanded Argosy Freighter programme from Resolute Bay commencing in September.

We have renegotiated the contract for the vertical re-supply of the Distant Early Warning sites, and the increased rates went into effect as at July 1. The delivery of our first F-28 Twin Jet will be made on October 1 and will go into service towards the end of that month.

The balance of the year should see continued improvement. I remain confident that the statement made to you at our annual meeting relative to the full year's operation will prove valid—that we will see an increase in Gross Revenues and a substantial improvement in Net Income.

Arthur V. Mauro

A. V. MAURO, President

transair Limited

and Wholly-Owned Subsidiary Companies

CONSOLIDATED STATEMENT OF INCOME

For the Six Months Ended June 30, 1972
(With 1971 Figures for Comparison) (Unaudited) (In Thousands of Dollars)

	1972	1971
Revenue	$ 8,002	$ 7,807
Operating Expenses		
General and Administrative Expenses	6,662	6,482
Depreciation and Amortization	728	847
Interest	244	375
	7,634	7,704
OPERATING PROFIT	368	103
Gain (Loss) on Disposal of Property and Equipment	(84)	51
Income Before Income Taxes and Extraordinary Item	284	154
Deferred Income Taxes (Note)	139	62
Income Before Extraordinary Item	145	92
Income Tax Reduction Arising from Application of Prior Years' Loss Carry Forwards	139	—
Net Income for the Period	$ 284	$ 92
Earnings per Common Share		
Basic Earnings		
(Weighted Average Number of Shares: 1972-3,080,806; 1971-2,065,218)		
Before Extraordinary Item	4.7¢	4.5¢
After Extraordinary Item	9.2¢	4.5¢
Fully Diluted Earnings		
Before Extraordinary Item	5.6¢	5.6¢
After Extraordinary Item	9.0¢	5.6¢

Note

1971 Comparative results reflect requirements relative to the treatment of deferred income taxes which became effective Oct. 1971.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Six Months Ended June 30, 1972
(With 1971 Figures for Comparison) (Unaudited) (In Thousands of Dollars)

	1972	1971
Funds Provided:		
Net Income, excluding charges not affecting Working Capital	$ 1,040	$ 861
Issue of Common Shares	—	2,567
Sale of Property and Equipment	1,086	286
Total Funds Provided	2,126	3,714
Funds Applied:		
Capital Expenditures	991	471
Repayment of Long Term Debt	709	642
Developmental and Fleet Pre-Operating Costs	113	1
Deferred Lease Payments	102	208
Dividends on Preference Shares	7	—
Total Funds Applied	1,922	1,322
Improvement in Working Capital	204	2,392
Working Capital Deficiency at the Beginning of the Period	1,704	3,911
Working Capital Deficiency at the End of the Period	1,500	1,519